



MOTORSPORTS TASK FORCE

AGENDA

WEDNESDAY, FEBRUARY 14, 2007

COUNTY-CITY BUILDING

555 S. 10TH STREET, ROOM 113

7:30 A.M. - 8:30 A.M.

1. Approval of Minutes - January 31, 2007 (see attached, including proposed changes by Dr. Chéenne)
2. Subcommittee Reports
 - a. Economic, Fiscal, Social & Environmental - Jeff Maul
 - b. Location - Mike DeKalb
 - c. Demand - Darl Naumann
3. Economic Impact Analysis: The Potential Impact of an NHRA Drag Racing Facility in Lancaster County - Dr. Eric Thompson
Director, UNL Department of Economics, Bureau of Business Research (see attached)
4. Future Agenda Items

MINUTES
MOTORSPORTS TASK FORCE
Wednesday, February 14, 2007 - 7:30 a.m.
County-City Building, Room 113

Task Force Members Present: Carol Brown, Dave Dykmann, Randy Harre, Gary Juilfs, Chris Kingery, Karen Kurbis, Mike Tavlin, Greg Osborn, Larry Lewis, Mike DeKalb, Lincoln-Lancaster County Planning Department (Ex-officio); Kerry Eagan, County Chief Administrative Officer (Ex-officio); Darl Naumann, Lincoln-Lancaster County Economic Development Coordinator (Ex-officio), Jeff Maul, Convention & Visitors Bureau Executive Director (Ex-officio)

Task Force Member Absent: Russ Bayer, Stan Patzel, Larry Lewis and Scott Holmes (Ex-Officio)

Others Present: Dr. Eric Thompson, UNL Economics Professor; Marvin Krout, Lincoln-Lancaster County Planning Department Director; Marlene Tracy, Randy Moore, Jeff Atkinson, Jill Bailie, The Waverly News; Jean Ortiz, Lincoln Journal Star; Erin McGovern, Urban Development; Ally Milligan, Mary Meyer, County Board Clerk; and other interested parties

Minutes

Harre moved approval of the minutes from January 31, 2007 with proposed changes offered by Dr. Dominique Chéenne (**see Exhibit A**); seconded by Maul. Motion passed unanimously.

The Potential Economic Impact of a NHRA Drag Racing Facility in Lancaster County - Presentation by Dr. Eric Thompson

Dr. Thompson presented "The Potential Economic Impact of a NHRA Drag Racing Facility in Lancaster County". (**See Exhibit B.**) Dr. Thompson stated the study was built on research previously conducted by the Bureau of Business Research on the Lincoln economy which produced the following studies: "The Impact of Growth on Quality of Life and Fiscal Conditions in Lincoln, Nebraska" and "Preliminary Economic Impact Analysis for the Lincoln Arena Task Force". Dr. Thompson's presentation focused on three areas: 1) Quality of Life Benefits; 2) Economic Impact; and 3) Public versus Private Provision.

Quality of Life Benefits

Dr. Thompson stated there is a quality of life benefit to individuals when shopping, services, and entertainment options are available locally. This point was illustrated by a "Quality of Life Benefits Demand Curve", which shows how many consumers would be willing to pay a certain amount for an activity. Amenities available locally do not include travel expenses, and therefore cost less. Consequently, there is a greater number of individuals willing to pay for the amenity. The difference is shown by a shaded area under the demand curve, which represents the increase in quality of life. Dr. Thompson believes the Vision 2015 Group is applying this concept in advocating for more entertainment sites in Lincoln.

By way of example, Dr. Thompson stated drag racing fans in Lincoln have to go different places, like Topeka, resulting in higher costs for travel, lodging, etc. A drag racing facility located in Lancaster County would result in lower costs and greater attendance, thereby producing an increase in the quality of life. In turn, a higher quality of life will attract more residents, which leads to higher property values.

Economic Impact Study

Dr. Thompson emphasized the study estimated the annual tourism impact for Lancaster County and the State of Nebraska, and did not estimate construction impact or impact from operating the track. The study examined the estimated impact on multiple indicators, including total economic activity, wages, and employment associated with wages.

The estimated economic impact was based on several assumptions, including:

- 60 days of racing (analysis of other mid-size and smaller tracks)
- Primarily locally-oriented events (attendance of 1,000)
- 6 days of larger divisional events (2 events - attendance of 8,000)
- Spending of \$1,000/person (mostly from within County on local events, and out-of-county on regional events)

(Additional information regarding assumptions and methodology used in predicting the economic impact can be found in the power point presentation reproduced in Exhibit A).

Economic multipliers were calculated using IMPLAN software, producing the following predicted annual economic impact:

- New or retained visitor spending - \$7.8 million
- Economic impact on total economic activity - \$9.9 million, with \$3.3 million in annual wages associated with this impact
- Larger events would produce a larger impact, perhaps \$20 million (5 larger divisional or national events)
- Statewide impact is smaller
 - new or retained visitor spending - \$4.5 million
 - impact on total economic activity - \$5.9 million, with \$2.1 million of associated wages

Private vs. Public Provisions

Dr. Thompson stated for some new entertainment venues (Arena) the private provision isn't an option, but private development and ownership is an option for a drag strip. Several of the questions asked regarding public versus private provision include:

- Should government provide a service that could be provided privately?
- Would a private developer be more entrepreneurial?
- Does public provision distract government from focusing on core services such as public safety, parks, etc.

Dr. Thompson noted public development costs of a project must be detracted from the economic benefit of the project. He referred to the Lincoln arena study, which would provide a large gross economic impact, but the cost of public funding to pay off bonds produces a large negative economic impact. Thus the net annual economic impact of the arena is modest, approximately \$5 million, with associated wages of \$1.7 million.

In conclusion, Dr. Thompson noted the economic impact of private venues is always greater than government provision of similar venues. One possible drawback is that private facilities may not always be in the best locations.

Questions

Karen Kurbis asked how long it would take for the annual economic projections to be realized. Dr. Thompson responded that with an experienced track operator with connections in the industry the numbers could be hit quickly once the track is up and running. He emphasized the study used assumptions which resulted in lower numbers, and the more optimistic prediction of \$20 million would take longer.

Larry Lewis stated he believes the daily spending projection of \$91/day is very conservative. He believes the figure is closer to \$300/day. He added if you have a sanctioned track and an NHRA sanctioned event the first year people will come from all over the country, and the impact will be immediate.

Carol Brown asked Dr. Thompson if he studied the economic impact from business spin off related to a facility, e.g., body shops, parts stores, etc. Dr. Thompson responded the study focused only on tourism. Brown stated her opinion that new businesses will open if the track is built.

Brown added there is a double positive, as the people do not need to travel outside of our community to attend races, thereby saving money and spending more in our community, and potentially lower our tax burden. Dr. Thompson generally agreed with Brown's analysis, referring to his earlier comments regarding the increase on quality of life.

In response to a question from Maul, Dr. Thompson indicated a larger share of the total economic impact would be new dollars coming into the community.

Maul asked if there were any red flags in the study? It was noted an experienced operator would generate more immediate impact. A further question was raised as to whether any of the tracks examined in the study involved inexperienced operators. Thompson replied he was not sure about the track studied in Florida, but believes the track operators in Topeka and Brainerd are experienced.

Maul asked if looking at the short term, you maximize your economic impact with private investment versus public investment. Dr. Thompson stated when you have the option of private investment, the private developer bears construction costs and the project doesn't become a drain on the public sector.

Kurbis asked how the eight (8) sites in the study were selected, and if estimates were used or actual attendance figures obtained. Dr. Thompson said they looked at actual schedules, the number of race days, attendance, and also had information from published research studies. One case was projected attendance and the other three were actual attendance. Some of the sites or facilities studied include Cordova, Mid-American, SRCA, Tri-State, Western Colorado, Kearney, Brainerd, and one in South Dakota. Dr. Thompson added they did not pick just the jewels of the racing industry, but instead tried to include a variety of facilities.

Kurbis asked if Mid-American was an Iowa facility? Thompson replied yes. Kurbis added Topeka's 60-day advance calendar for last year showed only 10 days reserved for street dragging. Kurbis questioned whether these figures indicate the Topeka track is not as successful as some people believe.

Dr. Thompson said with most venues it's very unusual to have just 10 street drag days. However, he added the Topeka track does have a higher number of the larger regional and national type events, leaving less time reserved for street drags. Kurbis questioned whether street drags have much economic impact outside of concessions. Dr. Thompson acknowledged these events have a smaller impact, but the cumulative effect can be large.

Tavlin noted at the Friday night local races, participants and spectators not only buy concessions, but will also buy parts, fuel, other items in Lincoln.

Brown asked if consideration was given for other events which happen at these facilities, like swap meets. Dr. Thompson said he did not include other activities in the study.

Juilfs asked what size of business would need to be recruited to have the same economic impact projected for the drag strip. Dr. Thompson replied this information was not examined in the report, but he did refer to another study for the University's athletic department, and believes the impact may be similar to adding another football game.

Brown asked if consideration was given to using the facility for testing automobiles, or possibly training for the State Patrol. Again, Dr. Thompson stated the study focused on tourism and did not include these activities.

Marvin Krout asked if the study examined the fiscal impact to the city and county from additional governmental costs related to the facility. Dr. Thompson indicated these costs were not examined, but indicated other studies have shown the impact on local government is not a problem.

Kurbis asked if studies are examining the impact on the valuation of residences near tracks. Dr. Thompson said his study did not examine this topic, but believes it is a relevant issue. Eagan asked if there were studies that have looked at this issue? Thompson replied he's not aware of any.

Brown asked if there was a way to get this information. Eagan indicated it would require contacting the Assessor in communities with tracks, and checking land values near tracks at various time periods. He added this process would be labor-intensive. Brown said she would attempt to get this information.

Maul stated he thought the average daily spending identified in the Randall tourism study done for the Convention and Visitors Bureau was \$286.14 per day, instead of \$91.00 per day. Dr. Thompson said his study uses per person spending and the Randall study uses per party.

Subcommittee Reports

Economic, Fiscal, Social & Environmental

Maul stated the subcommittee did not meet last week and does not have an update. He added the report by Dr. Thompson will greatly assist the subcommittee in completing its analysis of economic impact. Also, information is still being gathered regarding social and environmental impacts.

Location

DeKalb said the committee met and went through an exercise of choosing potential sites by identifying and applying the most critical characteristics for the best location. An early rough draft has been completed and the subcommittee will meet immediately after this meeting to finalize the draft.

Demand

Naumann said minor changes were made to the draft survey and they are now ready to proceed if authorized to do so. Naumann reiterated the survey is not scientific and he will not stand behind the data. He indicated the survey will mainly gather data about the potential user base for a track.

Brown asked when the survey would be ready. Naumann thought fairly quickly. He added making the survey more reliable would increase the cost of the survey. In response to a question from Brown, Naumann indicated the survey would run for one or two weeks.

Eagan stated the survey will cost \$70.00 an hour to place on the County's web site and compile the results. Some controls could be added to discourage multiple responders. He indicated costs should be nominal, even with additional controls. He stated the County Board will need to authorize the survey, and authorization would be requested from the Board at its meeting on Thursday, February 15, 2007.

Kurbis questioned whether the survey should be done if the results would be unreliable. Naumann answered it's just a look at the community, intended only to gauge the number of users. Kurbis expressed her opinion that we already know there is interest in a facility and there is no need to do the survey.

Eagan stated the County Board received numerous emails and letters in favor of the track on HW 77. Although there is no question there is demand for a track, the survey is simply an effort to more formally measure that demand. Thus he sees some value in gathering the information even though the survey is not scientific.

Kurbis inquired as to whether the survey could be emailed to committee members. Naumann said he could do that, but cautioned controls may still be added.

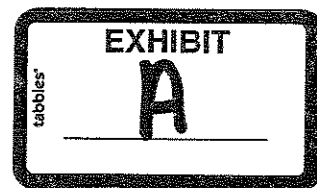
Osborn stated he doesn't think the survey should be sent without controls in place to help prevent multiple responses from the same person. Examples of controls include asking for contact information from the responders in case follow-up questions need to be asked, limiting the response time to 48 hours, etc.

In conclusion, Eagan stated finalized sub-committee reports are due at the next meeting, scheduled for Wednesday, February 21, 2007. The agenda will also include a discussion about the final report. Based on these discussions a final report will be drafted and discussed further at the committee meeting on Wednesday, February 28, 2007.

There being no further business the meeting was adjourned at 8:23am.

Submitted by,

Mary Meyer
County Board Clerk



Scott E Holmes/Notes
02/05/2007 10:42 AM

To Cori R Beattie/Notes@Notes
cc

Subject Fw: Motorsports Task Force Minutes - January 31

Cori, can you please make the following changes. Thanks.

Scott

----- Forwarded by Scott E Holmes/Notes on 02/05/2007 10:40 AM -----



"Dominique Cheenne"
<dcheenne@earthlink.net>
02/05/2007 10:34 AM

To <SHolmes@ci.lincoln.ne.us>
cc

Subject RE: Motorsports Task Force Minutes - January 31

Scott,

Thanks. I think that Cori did an outstanding job, but I would like the following corrections entered into the record:

1. Do a global search and replace of "dbs" for "dB"

2. Page 3:

Hertz should be capitalized and the abbreviation is Hz
Replace "nosie" by "noise"

The sentence should read "To illustrate pitch, sounds were provided at the following frequencies: 40 Hz (deep bass), 200 Hz (lower mid-range), 1,000 Hz (center of speech range), and 5,000 Hz (high pitch sound). To illustrate the spectrum aspect of sounds, Dr. Chéenne presented samples of a top fuel car burnout, of a jet car (dragster), of a pro-stock car on pass by, and of a pro-stock motorcycle on pass by. It was noted that the samples were not played back at their actual level. In response to Brown's inquiry, Dr. Chéenne said that such recording are usually done at a distance of roughly 45'."

3. Page 4:

Replace "stagnate" by "stagnant"

Replace the second sentence [in Nebraska...stagnation] by "Dr. Chéenne showed a series of air stagnation maps for 2006 and noted that in July 2006 stagnation conditions were recorded for about 40%-50% of the days in the state of Nebraska."

Replace "long-term" by "long-distance"

Replace "intonation" by "attenuation"

4. Add the following comment to the record:

"Dr. Chéenne noted that the perception of noise is strongly dependent on the background, which he referred to as the soundscape. The greater the difference between the soundscape and the level of the added noise, and the more noticeable the noise would become. He indicated that locating a motor sports facilities near a busy roadway like the interstate would result in some of the noise from the facility being masked by the background traffic noise but the same facility would be much more noticeable to residents in areas where the background noise is lower. He advised on having the level of the background noise determined before selecting any specific site."

Regards

DJC

The Potential Economic Impact of a NHRA Drag Racing Facility in Lancaster County

A Bureau of Business Research Report
Presented by Dr. Eric Thompson, Director
February 14, 2007

Fit with recent BBR research

- Study builds on recent BBR research (both available at www.bbr.unl.edu)
 - The Impact of Growth on Quality of Life and Fiscal Conditions in Lincoln, Nebraska
 - Preliminary Economic Impact Analysis for the Lincoln Arena Task Force

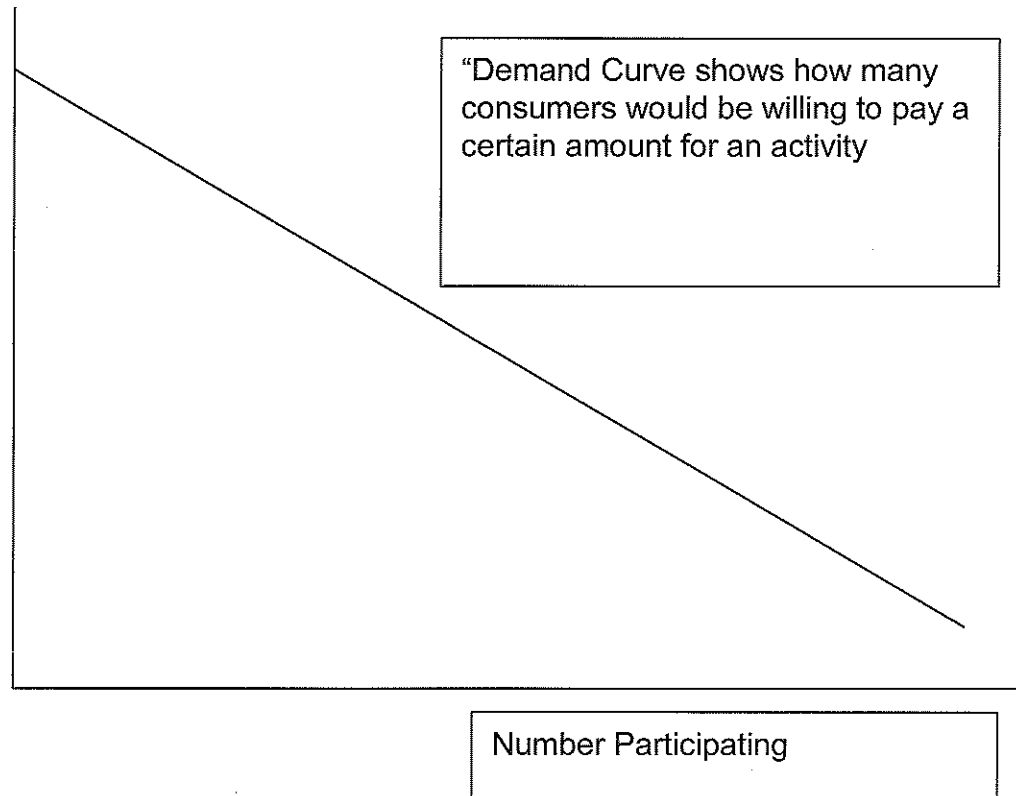
Outline

- Quality of Life Benefits
- Economic Impact
- Public versus Private Provision

Quality of Life Benefits

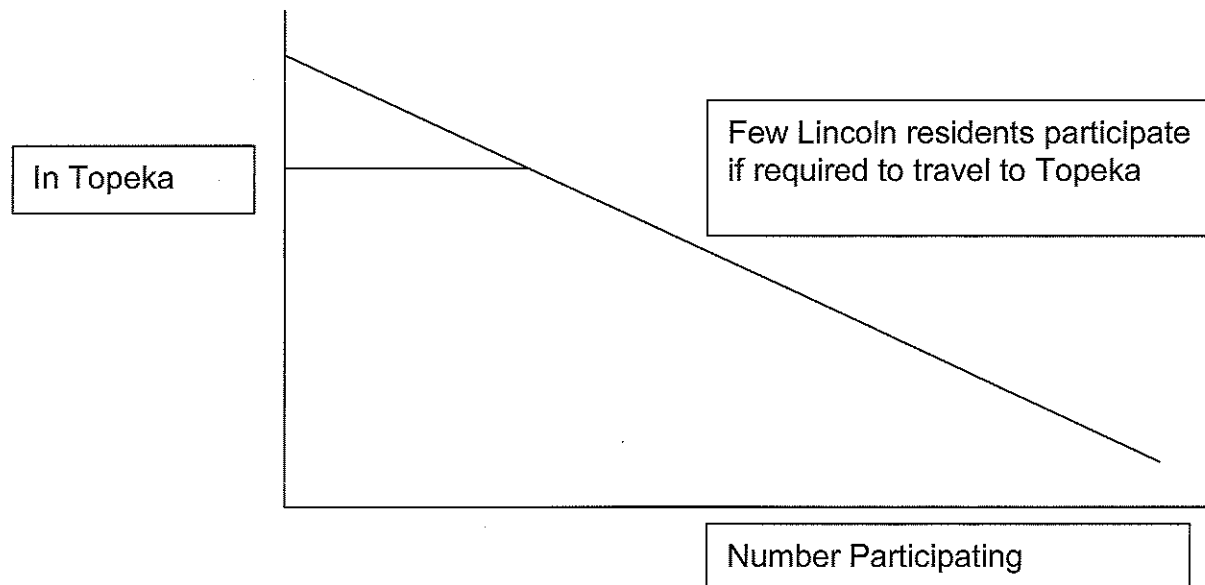
- There is a quality of life benefit to individuals when shopping, service, and entertainment options are available locally

Quality of Life Benefits Demand Curve



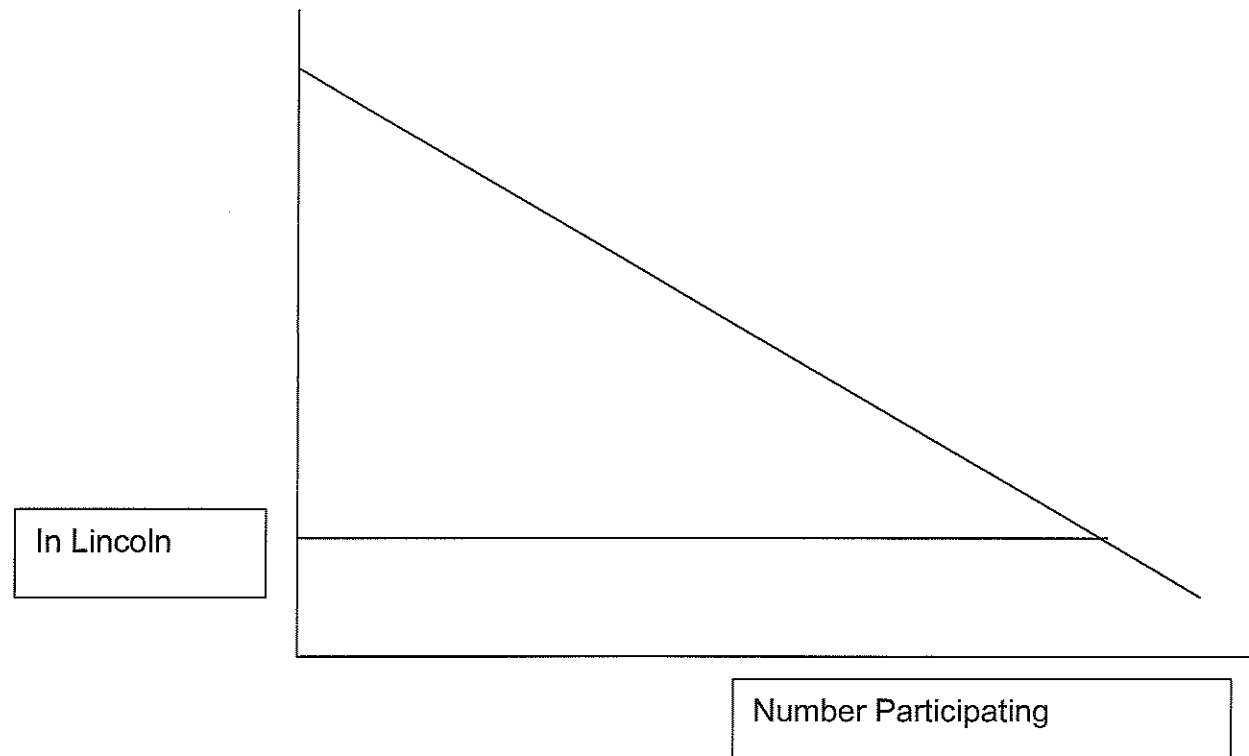
Quality of Life Benefits

Number Participating with Topeka Facility



Quality of Life Benefits

Number Participating with Lincoln Facility

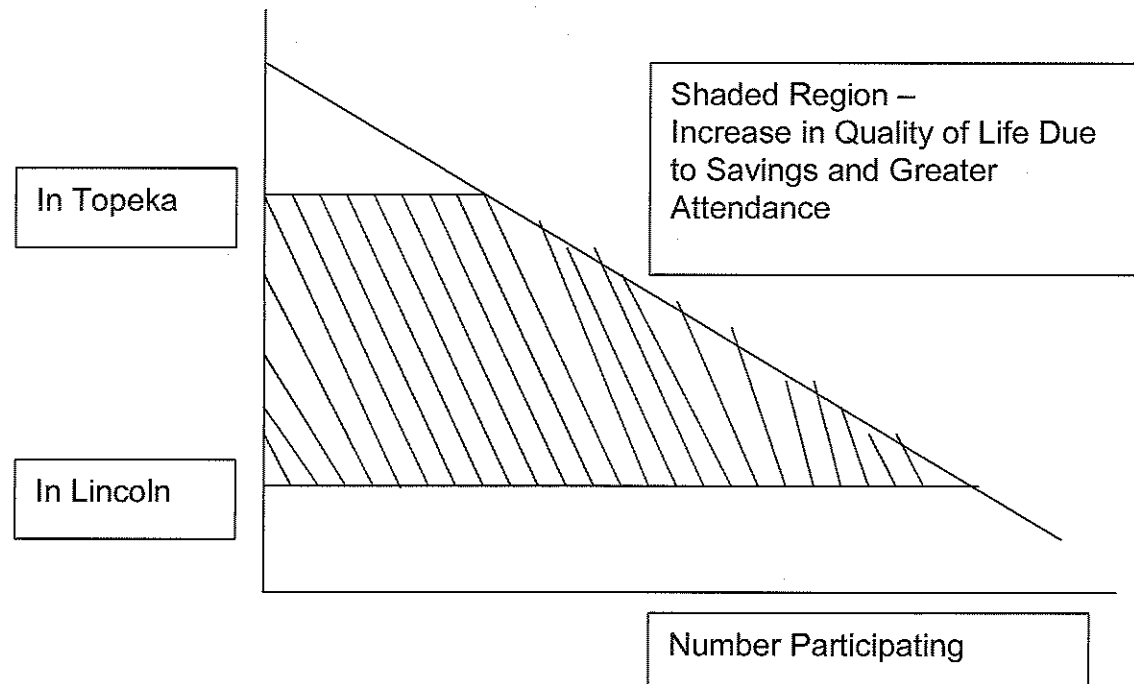


Quality of Life Benefits

- The number and size of the “shaded areas” in a particular city determines the quality of life benefits from having local shopping, service, and entertainment opportunities
- On balance, adding to such quality of life benefits should enhance property values

Quality of Life Benefits

Gain in “Quality of Life”



Economic Impact

- Study estimated the annual “tourism” economic impact on:
 - Lancaster County
 - State of Nebraska
- Did not estimate construction impact or impact from operating the track
- Estimated impacts for multiple indicators:
 - Total economic activity
 - Wages
 - Employment associated with wages

Economic Impact

Days of Racing

- Estimated 60 days of racing based on an analysis of other tracks including both mid-size and smaller tracks
- 60 days was primarily locally-oriented events.
 - 6 days of divisional events (2 events)
 - But most days local events.
- Assume spending of \$91/day and attendance around 1,000 for local events up to 8,000 for divisional.
 - Most within county for local events, and out-of-county for divisional events.

Economic Impact

Economic Multipliers

- Used IMPLAN software to calculate multipliers.
- For retail spending, only calculated impact of “mark-up.”
- Impact on total economic activity only 27% more than tourist spending estimate

Economic Impact Results

- Annual new or retained visitor spending estimate of \$7.8 million
- Annual economic impact on total economic activity of \$9.9 million
 - There is \$3.5 million in annual wages associated with this economic impact
- Larger impact would occur if more large events are held, perhaps more than \$20 million.

Economic Impact Results

- Statewide impact is smaller.
- Annual new or retained visitor spending estimate of \$4.5 million
- Annual economic impact on total economic activity \$5.9 million
 - There is \$2.1 million in annual wages associated with this economic impact

Public versus Private Provision

- First, there are numerous standard arguments here:
 - Should government provide a service that could be provided privately?
 - Would a private developer be more entrepreneurial?
 - Does responsibility for public venue distract government from focusing on providing core services such as public safety, or parks?

Public Versus Private Provision

- Second, public development of a facility could detract from the economic impact of the project.
- Example: BBR Study “Preliminary Economic Impact Analysis for the Lincoln Arena Task Force”
 - Different because there are no private individuals proposing to build an arena.
- Arena also would provide a large “gross” impact on the economy, and would add to local quality of life.

Public Versus Private Provision

- However, a new arena would partly pull events from existing facilities, and also would create an annual need for millions in public funding to pay off bonds
 - Such public funding would be a “gross loss,” effectively a negative economic impact each year.
- The result is that the “net” annual economic impact of an arena is modest.

Public Versus Private Provision

Table 10

Net Economic Impact

Business Receipts

	Total Impact		
	Pessimistic	Baseline	Optimistic
Low Government Involvement	\$1,306,470	\$7,914,419	\$15,299,372
Moderate Government Involvement	-\$1,293,030	\$5,314,919	\$12,699,872
High Government Involvement	-\$5,505,145	\$1,102,804	\$8,487,757

Public Versus Private Provision

Table 11

Net Economic Impact

Labor Income

	Total Impact		
	Pessimistic	Baseline	Optimistic
Low Government Involvement	\$261,605	\$2,652,258	\$5,315,416
Moderate Government Involvement	-\$660,253	\$1,730,400	\$4,393,558
High Government Involvement	-\$2,100,891	\$289,763	\$2,952,920

Public Versus Private Provision

- Thus, while private investment in entertainment venues may not always be:
 - located precisely where you would prefer, or
 - precisely what you would prefer
- Private development is the best way to use new venues to create a positive impact on the overall economy.

Conclusion

- There is a positive local quality of life benefit for from having a NHRA Drag Racing facility in Lancaster County
- There is a significant tourism impact
- There is an advantage from private versus public provision of such a facility